EXHIBIT 80

The independent auditors are responsible for the opinion they express concerning the fair presentation of the financial statements. Their responsibility in that regard, however, in no way diminishes either management's primary responsibility or the governing body's ultimate responsibility for the government's financial reporting.

Chapter in brief

Accounting, financial reporting, and the financial statement audit provide the informational infrastructure of public finance.

Accounting and *financial reporting* are complementary rather than identical.

- *Accounting* is the process of assembling, analyzing, classifying, and recording data relevant to transactions and events that affect the government's finances.
- *Financial reporting* is the process of taking the information thus assembled, analyzed, classified, and recorded and providing it in usable form to those who need it.

Both accounting and financial reporting are primarily the responsibility of management.

Financial reporting can take one of three forms: *internal financial reporting, special purpose external financial reporting*, and *general purpose external financial reporting*.

The content, format, and timing of internal financial reports are set by management. Typically data in those reports are presented in a manner consistent with the budget.

The content, format, and timing of special purpose external financial reports are set by outside parties (a state regulatory agency or grantor).

General purpose external financial reporting is designed to serve a broad range of potential users and typically is governed by GAAP, which may not be consistent with budgeting.

Information in general purpose external financial reporting can be communicated in one of three ways: *display* (inclusion in one of the basic financial statements), *disclosure* (inclusion in the notes to the basic financial statements), or *supporting information*.

Items are displayed in the financial statements only if they meet the definition of one of the seven financial statement elements *(assets, liabilities, inflows of resources, outflows of resources, deferred inflows of resources, deferred outflows of resources*, and *net position*) and can also be reliably measured.

Disclosure is used for *descriptions* of the policy underlying amounts presented in the basic financial statements, *detail or explanations* concerning amounts presented in the basic financial statements, and *information about potential financial statement elements* that do *not* qualify for recognition.

Supporting information is designed to provide *operational, economic, or historical context*. Sometimes the presentation of supporting information is mandated, in which case it is referred to as *required supplementary information*.

Accounting data must possess certain essential characteristics for inclusion in general purpose external financial reporting: *understandability, reliability, relevance, timeliness, consistency*, and *comparability*.

The financial statement audit is designed to provide independent assurance that the financial statements are fairly presented.

A comprehensive framework of internal control is necessary to provide management a reasonable basis for assuming responsibility for the financial statements.